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SUBJECT: AIRPORT CAPACITY EXPANSION IN HONG KONG AMID  
ECONOMIC DOWNTURN AND CROSS-STRAITS WARMING

11. (SBU) The Hong Kong Government (HKG) has decided to move forward with airport upgrade and expansion plans despite the combined pressures of the economic crisis and the loss of Taiwan passenger volume to cross-strait direct flights. During a recent meeting with the Consulate, Airport Authority of Hong Kong's (AAHK) CEO Stanley Hui reaffirmed the government's commitment to additional infrastructure projects for Hong Kong's international transportation and logistics development.

12. (SBU) One of these projects is the expansion of Hong Kong International Airport's (HKIA) midfield. Plans include the construction of additional aircraft stands, apron facilities, and a new passenger concourse between HKIA's two existing runways. During his annual Policy Address in October 2009, Hong Kong's Chief Executive Donald Tsang referenced this project as tangible support for the city's logistics sector, one of Hong Kong's traditional pillar industries. A preliminary study of the midfield expansion should be completed in early 2010, followed by ground breaking later in the year. AAHK will also unveil in 2010 the airport's "Master Plan 2030," a 20-year blueprint for HKIA that would likely entail additional land reclamation.

13. (SBU) Another proposed expansion project is the installation of a new air traffic management system (ATMS). HKG's Civil Aviation Department (CAD) will accept tenders for the ATMS' design, supply and installation until February 5, 12010. According to Hong Kong's Secretary for Transport and Housing Eva Cheng, the new system must be capable of doubling the existing system's capacity to meet forecast demand through 2025. The new system will be housed at CAD's new administrative headquarters building currently under construction. This venue will also house other value-added facilities, such as an auditorium, a training and research center, dormitories for students and accident investigators, and an aviation exhibits public area. This public area, referred to as the "Education Path," could offer export opportunities to U.S. airlines, aircraft manufacturers, and aviation service firms hoping to reach audiences at one of the world's largest transport hubs.

14. (SBU) Air cargo throughput at HKIA rose to 344,000 in November 2009, or 16% higher than the same period in 2008. Passenger volume and aircraft movements for the month, however, declined by 0.4% and 5.2% respectively. On a 12-month basis, HKIA recorded 46 million passengers, 3.3 tons of cargo, and 280,035 flight movements, representing decreases of 5.8%, 12.4%, and 7.3% from 2008.

15. (SBU) According to a December 10 HKIA press release, a 21% year-on-year rise in Hong Kong resident traffic partially offset declining international passenger traffic. Transfer/transit passengers fell 12% for the period, a side effect of warming relations across the Taiwan Strait. Having historically been a hub for those traveling between Taiwan and the Mainland, HKIA has lost about three million passengers since the two governments eased direct flight restrictions, Hui acknowledged. To offset this passenger loss, HKIA has invested in developing and marketing its "multi-modal" capabilities (e.g., air-to-surface, air-to-rail, and air-to-water) for those visiting cities in China's Pearl River Delta (PRD). For example, over 300 bus trips connect passengers between HKIA and 90 PRD cities daily. Thousands of passengers also travel onward by ferry from HKIA's "SkyPier", an adjacent seaport facility inaugurated in December 2009 that connects passengers with Shekou, Fuyong, Nansha, Dongguan, Zhongshan, Zhuhai, and Macau.  
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